QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 18, 2026 Volume 20 Issue 156

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- After 2 days pulling back, SPX could be set up for a Turnaround Tuesday.
- The SOX showing relative strength on a day the NASDAQ declined suggests an upside edge for the following day.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. Reward/risk does not appear to be strongly favorable in either direction.

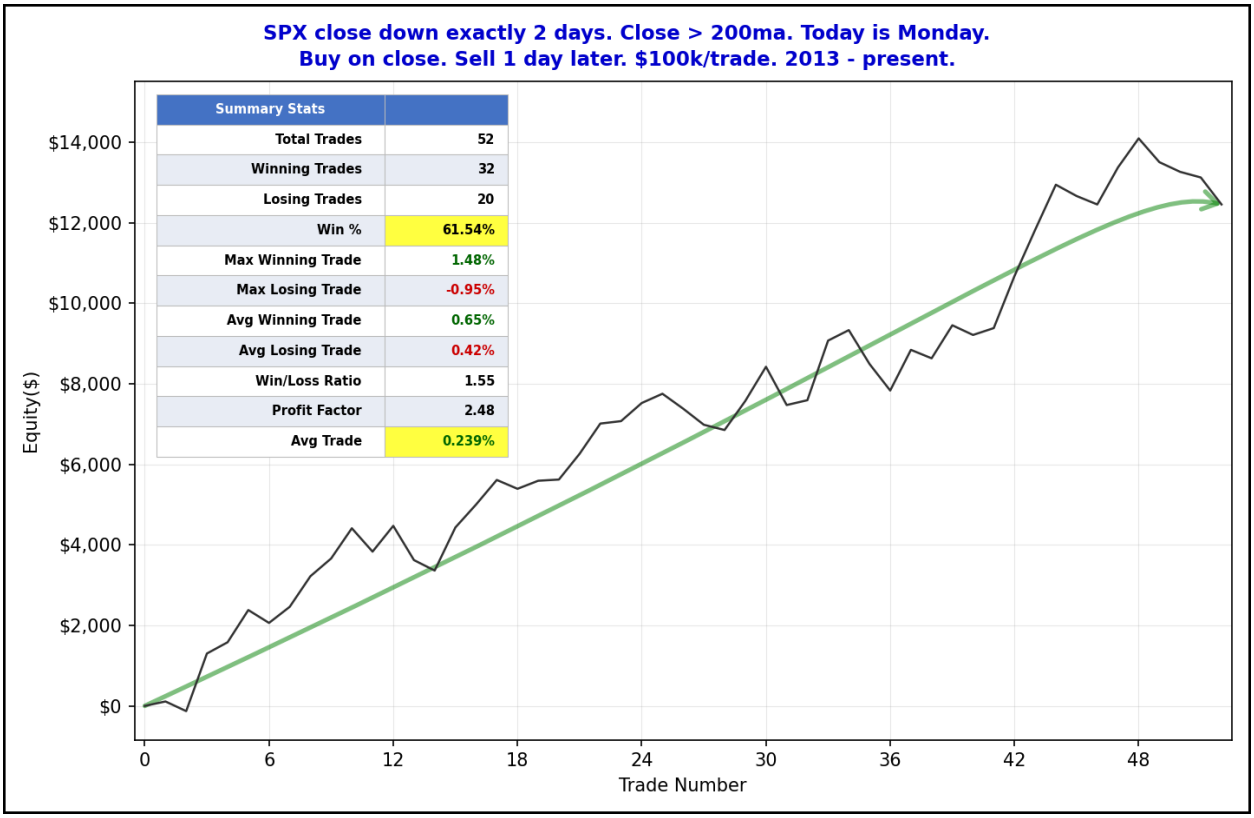
Summary of Recent Active Studies (see Letters from listed dates for details

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 18, 2026	NASDAQ down while SOX up at least 1%	1 day	Bullish			
August 18, 2026	SPX down exactly 2 days on a Monday, > 20(	1 day	Bullish			
August 14, 2026	SPY 2 unfilled up gaps at a 50-day high	1-4 days	Bullish	0.94%	-0.86%	-1.87%
Active - Long Term						
August 12, 2026	Hindenburg Omen - 4th signal in 30 days	1-35 days	Bearish	-6.54%	2.95%	4.86%
August 12, 2026	SPY inside the 50-day-high day's range 5 day	1-10 days	Bullish	2.06%	-1.25%	-2.63%
August 6, 2026	SPX 20-day high, closes in bottom 10% of ra	1-10 days	Bullish	2.05%	-1.46%	-2.77%
August 5, 2026	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.91%	-4.26%	-8.73%
August 3, 2026	Down June & down July -> weak Aug & Sep	1-2 months	Bearish			
July 30, 2026	QQQ 5th lower low, worst drop of the declin	1-20 days	Bullish	9.09%	-4.85%	-9.70%
July 6, 2026	No QE. Rate rise probable. Fed hawkish	int term	Bearish			
June 29, 2026	NASDAQ lagging	int term	weak			
May 27, 2026	NDX > 18% above 200ma	1-90 days	Bullish	13.80%	-9.37%	-18.64%
May 13, 2026	SPX historically strong 6-week rally	1-12 months	Bullish	18.96%	-8.29%	-10.88%
April 27, 2026	Sell in May 2nd yr Pres Cycle & 5% pullback	1-6 months	Bearish			
June 30, 2025	SPX Golden Cross (7/1/25)	int term	Bullish			

The Evidence

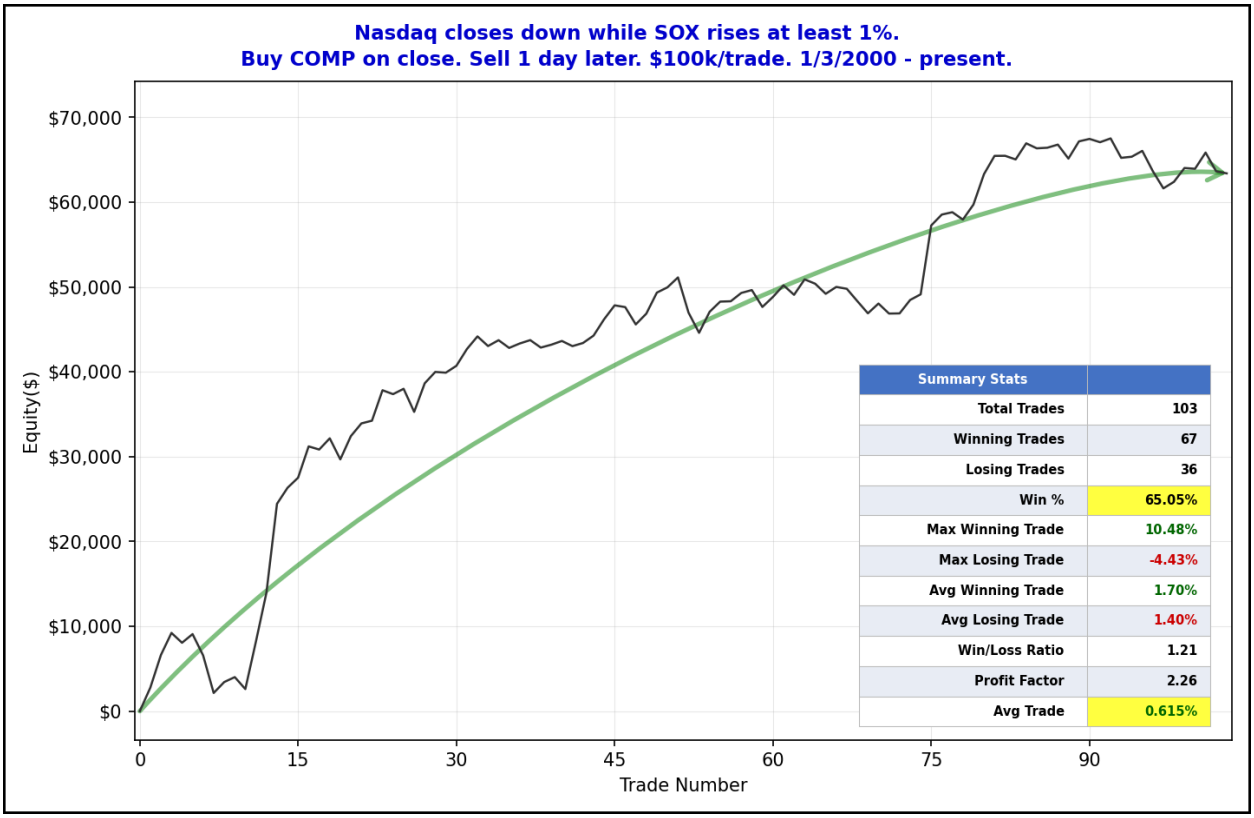
Monday was a down day for the market. SPX finished lower by 0.5%, the NASDAQ lost 0.3%, and the Russell 2000 declined 0.4%. Breadth was weak as the NYSE Up Issues % closed at 31% and the NYSE Up Volume % posted a 29% reading. NYSE total volume rose from Friday's level.

I have written a substantial number of times about “Turnaround Tuesday”. Over the years Tuesday has exhibited the strongest proficiency for the market to reverse a pullback of any day of the week. But in the case of 2-day pullbacks, which are quite short, they were not terribly consistent prior to 2013. The study below was seen in the 5/19/26 letter. Parameters look for 1) SPX to decline exactly 2 days in a row, 2) today is Monday, and 3) SPX closes above its 200ma. Results are updated.

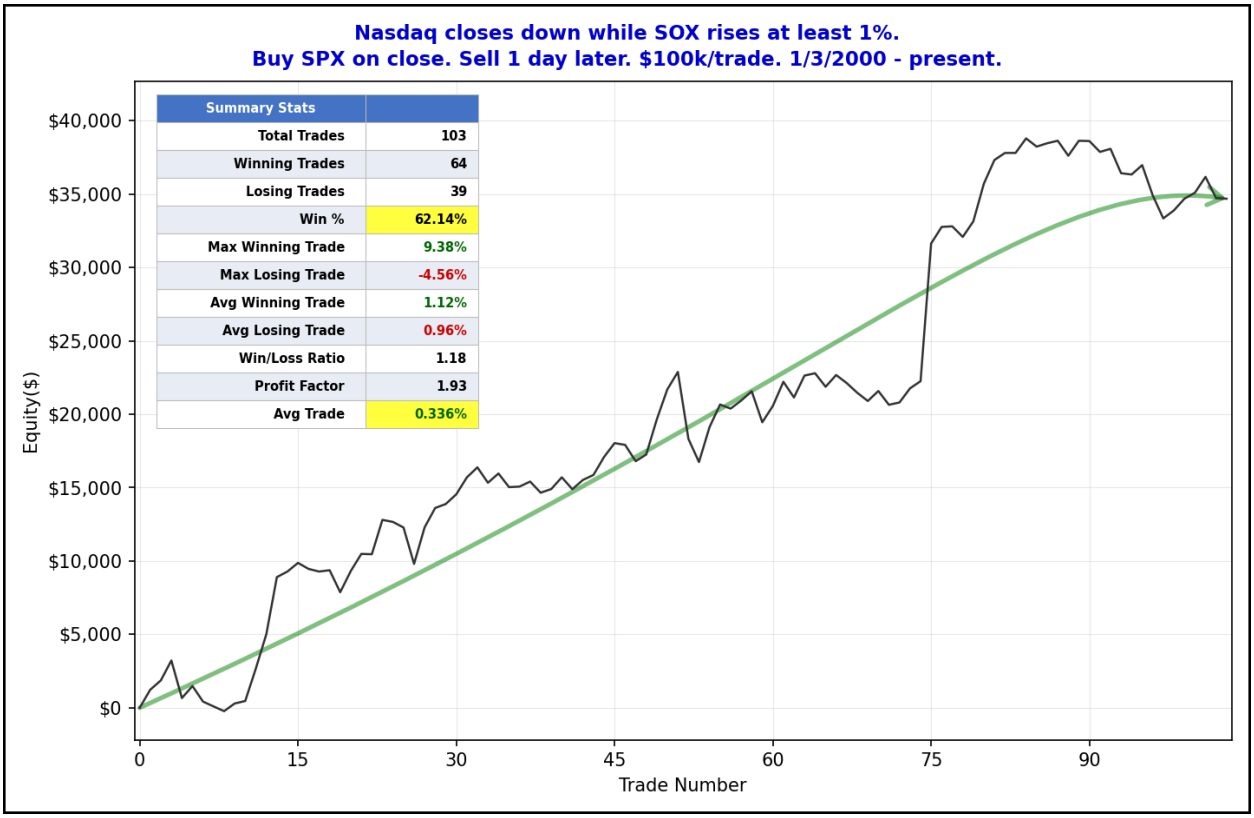


The last few instances have struggled, but the stats and curve are still impressive. I have included this study on the active list tonight as a potentially bullish edge.

Despite the decline in the NASDAQ, the Semiconductor Index (SOX) rose strongly, closing up 1.6%. When the SOX does well on a day the NASDAQ declines, that has often been followed by a rise in the NASDAQ the next day. This can be seen in the study below, which was last seen in the 6/23/26 letter. Results are updated.

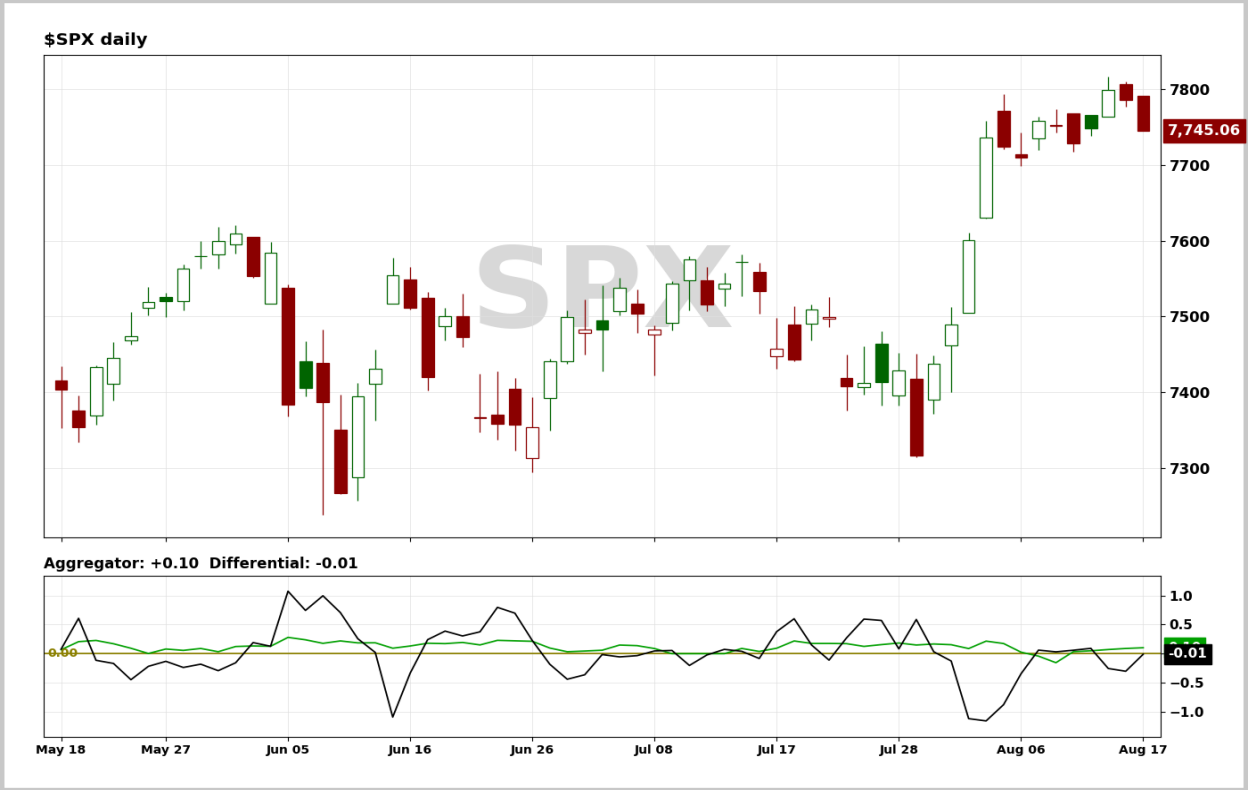


Not exactly a steady rise, and it has flattened some recently, but the overall move and numbers are decent nonetheless. Below is a look at how the SPX has performed when the NASDAQ/SOX have acted this way.



Results here are less explosive but still potentially bullish. The recent pullback is a bit concerning and I will put this study on hold if it does not right itself soon. But overall, the study appears worthy of some consideration, and I have added it to the Active List tonight.

I have updated the Aggregator chart below.



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is slightly overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at* 7810.80. That is 0.8% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.8% on Tuesday in order to remain overbought. Anything other than that and it will flip to oversold versus recent expectations as of Tuesday's close.

So the Aggregator is neutral. With the differential pivot inverted we could easily see the Aggregator formation turn bullish on Tuesday. While current evidence is pointing higher, most of the evidence is set to expire at Tuesday's close. A decline would mean a three-day pullback from a long-term high. And that would likely generate more bullish evidence. But I am not inclined to jump the gun before I see what actually happens and what evidence actually emerges. So I will continue to sit on my hands and wait for a clearly compelling short-term opportunity to arise.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/17 – neutral

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

***Broad Market Large Cap CBI* – 0**

Additional New Trade Ideas

None tonight.

Current Open Trade Ideas

None

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